

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00 PM-04  
H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01  
SP-02 SS-15 USIA-06 AID-05 COME-00 EB-08 FRB-03  
TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01  
STR-04 CEA-01 AGRE-00 /112 W  
-----230229Z 046540 /67

R 220840Z MAR 77  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 6313  
INFO AMEMBASSY ANKARA  
AMEMBASSY ATHENS  
AMEMBASSY BERN  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY CANBERRA  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
EC BRUSSELS  
AMEMBASSY HELSINKI  
AMEMBASSY LISBON  
AMEMBASSY LONDON  
AMEMBASSY LUXEMBOURG  
AMEMBASSY MADRID  
USMISSION OECD PARIS  
AMEMBASSY OSLO  
AMEMBASSY OTTAWA  
AMEMBASSY REYKJAVIK  
AMEMBASSY ROME  
AMEMBASSY STOCKHOLM  
AMEMBASSY THE HAGUE  
AMEMBASSY VIENNA  
AMEMBASSY WELLINGTON  
USMISSION MTN GENEVA

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E.O. 11652: N/A  
TAGS: ETRD, JA  
SUBJECT: JAPAN-EUROPE TRADE ISSUES

1. SUMMARY: ON THE EVE OF THE EC SUMMIT IN ROME, EURO-

JAPANESE TRADE ISSUES HAVE LITTLE ABATED. JAPANESE CONCESSIONS ON SHIPS, STEEL AND OTHER EXPORTS APPEAR NOT TO HAVE MOLLIFIED CRITICS AND THE JAPANESE DOUBT THAT A SATISFACTORY PACKAGE CAN BE SOON PUT TOGETHER. END SUMMARY.

2. OFFICIALS IN MITI AND THE FOREIGN MINISTRY DEALING WITH TRADE MATTERS ARE WEARING INCREASINGLY LONG FACES THESE DAYS. AS SOON AS ONE PROBLEM AREA QUIETS DOWN ANOTHER SEEMS TO POP UP AS JAPAN'S EUROPEAN TRADING PARTNERS FIND SOME NEW JAPANESE SUCCESS TO COMPLAIN ABOUT. BELIEVING THAT MANY OF THE PROBLEMS PLAGUING THE WESTERN EUROPEAN ECONOMIES ARE STRUCTURAL AND REQUIRE LONG TERM SOLUTIONS, THE JAPANESE FEEL THAT SHOULD BE PATIENT AND WAIT. SOME FEEL THAT RETALIATORY TRADE ACTION COULD BE JUSTIFIED, BUT NO ONE WANTS TO RISK A TRADE WAR. AS EXPRESSED AT A MEETING OF JAPANESE AMBASSADORS TO EUROPE EARLIER THIS MONTH, THE GOJ SEES NO ALTERNATIVE BUT TO TRY TO DEAL WITH EACH PROBLEM INDIVIDUALLY AND HOPE THAT GENERAL ECONOMIC RECOVERY WILL MODERATE THE SITUATION.

3. STEEL: DESPITE THE EXTENSION OF VOLUNTARY EXPORT RESTRAINTS THROUGH 1977 BY JAPAN'S BIG SIX STEEL MAKERS, AND AN INFORMAL UNDERSTANDING THAT MITI WILL TRY TO KEEP OVER-ALL EXPORTS AT 1976 LEVELS, THE EC IS CONSIDERING NEW ACTIONS AGAINST JAPAN: A) THE UK ANNOUNCED IT WILL INVESTIGATE DUMPING CHARGES LIMITED OFFICIAL USE

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AGAINST JAPANESE MAKERS OF SMALL-SIZED SECTION STEEL AND STEEL BARS: B) THE EC COMMISSION WILL REPORTEDLY RECOMMEND THE ESTABLISHMENT OF A NON-COMPULSORY FLOOR PRICE FOR 90 PERCENT OF ALL KINDS OF STEEL PRODUCTS UNDER ART. 61 OF THE ECSC TREATY: C) AND AUTOMATIC APPROVAL SYSTEM FOR STEEL PRODUCTS IMPORTED FROM NON-EC COUNTRIES IS REPORTEDLY UNDER DISCUSSION.

4. SHIPS: THE EC HAS REQUESTED A 25-POINT CLARIFICATION CONCERNING JAPAN'S OFFER TO RAISE PRICES BY AN AVERAGE OF FIVE PERCENT AND TO EXERCISE RESTRAINT WITH REGARD TO ORDERS FROM CERTAIN COUNTRIES. INCLUDING WEST GERMANY. A WEST GERMAN ORDER PLACED MARCH 9 WITH A SINGAPORE BUILDER FOR SEVEN SMALL CONTAINER SHIPS AND UK APPROVAL OF A 65-MILLION POUND SUBSIDY TO ITS SHIP BUILDERS MAY, HOWEVER, HARDEN JAPANESE RESISTANCE TO TAKING ANY FURTHER STEPS.

5. BEARINGS: FEARING THE EC MAY TAKE PRECIPITOUS ACTION, GOJ SEES NO CHOICE BUT TO ACQUIESCE IN A THREE-MONTH EXTENSION OF THE 20 PERCENT ANTI-DUMPING DUTY WHILE THE EC COMMISSION COMPLETES ITS INVESTIGATION.

6. ELECTRONIC EQUIPMENT: VOLUNTARY EXPORT CONTROLS EXPIRED IN 1976, AND THE GOJ REJECTED A BENELUX REQUEST FOR AN EXTENSION LAST FALL. NEVERTHELESS, MITI IS CLOSELY MONITORING SHIPMENTS OF BOTH RADIOS (5.4 MILLION IN 1976) AND TV'S.

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7. THE TOUGHER '76 NOX AUTO POLLUTION STANDARDS ARE STILL SLATED TO BECOME EFFECTIVE ON DOMESTIC MODELS FROM 1978; HOWEVER, THEIR APPLICABILITY TO IMPORTS HAS BEEN EFFECTIVELY POSTPONED UNTIL 1981. EUROPEAN INSPECTORS WILL ALSO NOW BE RESPONSIBLE FOR CERTIFYING 24 OF 64 SAFETY FEATURES AND JAPANESE INSPECTORS WILL INSPECT THE REMAINING 40 CHECKPOINTS ON THE SPOT IN EUROPE.

8. AGRICULTURAL PRODUCTS: GOJ MINISTRIES ARE SPLIT AS TO WHAT CONCESSIONS JAPAN SHOULD MAKE. CONSEQUENTLY JAPAN HAS REQUESTED THAT TALKS BE POSTPONED UNTIL APRIL. FACED WITH UPPER HOUSE ELECTIONS THIS SUMMER, IT IS DOUBTFUL THE GOJ WILL MAKE SIGNIFICANT CONCESSIONS IN THE ABSENCE OF AN MTN AGREEMENT. IN THE MEANTIME, TARIFF QUOTAS ON THE FOLLOWING ITEMS WILL BE EXPANDED FOR THE FIRST HALF OF JFY 1977: NATURAL CHEESE (FROM 10,300 T TO 10,400T), OATS (FROM 20,000T TO 32,000T), CORN (FROM 797,300T TO 905,000T), LIQUOR (FROM 45,100 KL TO 60,200 KL), FISH MEAL (FROM 52,000T TO 80,000T). THE JAPAN TOBACCO MONOPOLY CORP HAS ALSO AGREED TO PURCHASE 2,000 TONS OF ITALIAN TOBACCA IN 1977 AS A "GOOD WILL" GESTURE.

9. OTHER ACTIONS: THE TOP JAPANESE BUSINESS ORGANIZATION, THE KEIDANREN, HAS DESPATCHED A LARGE MISSION TO FRANCE TO STUDY POSSIBLE IMPORTS OF FRENCH PRODUCTS. PURCHASES OF THE EUROPEAN AIRBUS ARE REPORTEDLY ALSO UNDER CONSIDERATION, ALTHOUGH WE HAVE BEEN ASSURED NOT ACTIVELY.  
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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
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